

## Message Text

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61

ORIGIN EB-07

INFO OCT-01 EA-10 ISO-00 TRSE-00 FRB-01 RSC-01 /020 R

DRAFTED BY EB/IFD/OMA:NHRIEGG

APPROVED BY EB/IFD/OMA:RRYAN

FDIC:REARDON

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R 191853Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY SINGAPORE

UNCLAS STATE 254843

E.O. : 11652 N/A

TAGS : EFIN, SN

SUBJECT: FEDERAL DEPOSIT INSURANCE

REF : A) SINGAPORE 4284 B) SINGAPORE 4551

1. THE ONLY SIGNIFICANT CHANGE IN FDIC OPERATIONS IS INCREASED COVERAGE FROM \$20,000 TO \$40,000 ON ANY INDIVIDUAL'S HOLDINGS IN ANY ONE BANK. NO CHANGE IN PREMIUMS WILL BE REQUIRED.
  2. SAVINGS DEPOSITS OF STATE AND LOCAL GOVERNMENTS WILL BE COVERED UP TO \$100,000 AND DEMAND DEPOSITS WILL BE COVERED UPTO \$40,000. THERE ARE NO OTHER DIFFERENCES OF COVERAGE IN THE SYSTEM BETWEEN DEMAND AND SAVINGS ACCOUNTS.
  3. AS IN PAST BANKS PAY PREMIUMS ON ALL OF THE DEPOSITS NOT JUST ON THEIR INSURED DEPOSITS. THIS REQUIREMENT HISTORICALLY GAVE SUBSIDY TO SMALLER BANKS AS THEIR INSURED DEPOSITS APPROXIMATED TOTAL DEPOSITS; WHILE VERY LARGE BANKS INSURED DEPOSITS OFTEN ONLY EQUAL 60 OR LESS OF TOTAL DEPOSITS. SOME ARE EVEN AS LOW AS 10,
  4. FDIC CONTEMPLATING EXTENDING COVERAGE TO BRANCHES OF FOREIGN BANKS. TRADITIONALLY BRANCHES NOT COVERED DUE TO INTERNATIONAL LEGAL PROBLEMS BUT THIS IS NOT AN OVERWHELMING
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OBSTACLE. SUBSIDIARIES OF FOREIGN BANKS IN THE US ARE

ALREADY COVERED BY FDIC.

5. FDIC SUGGESTS THAT MAS ESTABLISH CLEAR DEFINITE AND STRONG QUALIFICATIONS FOR A BANK TO JOIN ITS FDIC, AND MAINTAIN SUCH REQUIREMENTS FOR CONTINUED PARTICIPATION IN FDIC. RISK TAKING BY BANKS WHILE BEING DESIRABLE FOR ECONOMIC DEVELOPMENT MUST ALSO BE KEPT IN PROPER PERSPECTIVE AND SHOULD HAVE CERTAIN ADMINISTRATIVE LIMITS, OUTLINES, OR CONTROLS.

6. NO STUDIES READILY AVAILABLE ON COST TO THE BANKING SYSTEM AS A WHOLE.

7. WE NOTE THAT PHILIPPINES HAS A FDIC TYPE SYSTEM, AND SUGGEST SINGAPORE CONSULT WITH THEM TOO. INGERSOLL

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